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STATE OF MONTANA
LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL

FINANCIAL-COMPLIANCE AUDIT FOR THE
FISCAL YEARS ENDED JUNE 30, 2002 and 2003

STATE DOCUMENTS COMMISSION

JAN 23 2004

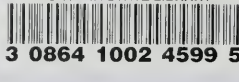
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MONTANA LEGISLATIVE BRANCH, AUDIT DIVISION
PO Box 201705, Helena MT 59620-1705

JUNKERMIER, CLARK, CAMPANELLA, STEVENS, P.C.
Certified Public Accountants and Business Advisors

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LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
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**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
ELECTED AND APPOINTED OFFICIALS
AS OF JUNE 30, 2003**

LEGISLATIVE COUNCIL AND LEGISLATIVE SERVICES DIVISION

REPRESENTATIVES

Kim Gillan - Presiding Officer
George Golie
Doug Mood
Roy Brown
Jeff Laszloffy
David E. Wanzenried

SENATORS

Bob Keenan - Vice Presiding Officer
Brent R. Cromley
Vicki Cocchiarella
Duane Grimes
Jon Tester
Fred Thomas

EXECUTIVE DIRECTOR: Lois Menzies

LEGISLATIVE AUDIT COMMITTEE AND LEGISLATIVE AUDIT DIVISION

REPRESENTATIVES

Jeff Pattison - Presiding Officer
Dee Brown
Tim Callahan
Hal Jacobson
John Musgrove
Rick Ripley

SENATORS

Jim Elliott - Vice Presiding Officer
John Cobb
Mike Cooney
John Esp
Dan Harrington
Corey Stapleton

LEGISLATIVE AUDITOR: Scott A. Seacat

LEGISLATIVE FINANCE COMMITTEE AND LEGISLATIVE FISCAL DIVISION

REPRESENTATIVES

Gary Forrester - Presiding Officer
Rosalie Buzzas
John Brueggeman
Dave Kasten
Dave Lewis
Monica Lindeen

SENATORS

Keith Bales - Vice Presiding Officer
Rick Laible
Emily Stonington
Jon Tester
Joe Tropila
Tom Zook

LEGISLATIVE FISCAL ANALYST: Clayton L. Schenck





**Junkermier • Clark
Campanella • Stevens • P.C.**

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INDEPENDENT AUDITORS' REPORT

The Legislative Audit Committee
Of the Montana State Legislature:

We have audited the accompanying financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the fiscal years ended June 30, 2002 and 2003, as listed in the table of contents. These financial schedules are the responsibility of the Branch's management. Our responsibility is to express an opinion on these financial schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial schedules, the Legislative Branch's financial schedules are prepared in accordance with state accounting policy, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Legislative Branch for the fiscal years ended June 30, 2002 and 2003, in conformity with the basis of accounting described in Note 1.

This report is intended solely for the information and use of the audit committee, management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 2, 2003 on our consideration of the Legislative Branch's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 2, 2003

LEGISLATIVE BRANCH
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

| | General Fund | State Special Revenue Fund |
|---|-----------------------|-------------------------------|
| FUND BALANCE: July 1, 2001 | \$ (31,071) | \$ 222,886 |
| ADDITIONS | | |
| Budgeted Revenues & Transfers-In | | 2,992,691 |
| NonBudgeted Revenues & Transfers-In | 10,284 | 21,895 |
| Prior Year Revenues & Transfers-In Adjustments | (3,801) | 4,626 |
| Direct Entries to Fund Balance | 7,600,487 | 124,583 |
| Total Additions | <u>7,606,970</u> | <u>3,143,795</u> |
| REDUCTIONS | | |
| Budgeted Expenditures & Transfers-Out | 8,581,521 | 2,179,105 |
| Prior Year Expenditures & Transfers-Out Adjustments | (2,689) | 102 |
| Total Reductions | <u>8,578,832</u> | <u>2,179,207</u> |
| FUND BALANCE: June 30, 2002 | <u>\$ (1,002,933)</u> | <u>\$ 1,187,474</u> |

See the notes to financial statements.

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

| TOTAL REVENUES & TRANSFERS-IN BY CLASS | General Fund | State Special Revenue Fund | Total |
|--|-------------------|-------------------------------|---------------------|
| Taxes | \$ 2,224 | \$ | \$ 2,224 |
| Charges for Services | | 1,687,027 | 1,687,027 |
| Sale of Documents, Merchandise and Property | | 1,273,962 | 1,273,962 |
| Miscellaneous | 4,259 | 918 | 5,177 |
| Grants, Contracts, Donations and Abandonments | | 57,305 | 57,305 |
| Total Revenues & Transfers-In | <u>6,483</u> | <u>3,019,212</u> | <u>3,025,695</u> |
| Less: Nonbudgeted Revenues & Transfers-In | 10,284 | 21,895 | 32,179 |
| Prior Year Revenues & Transfers-In Adjustments | <u>(3,801)</u> | <u>4,626</u> | <u>825</u> |
| Actual Budgeted Revenues & Transfers-In | 0 | 2,992,691 | 2,992,691 |
| Estimated Revenues & Transfers-In | 3,000 | 3,457,658 | 3,460,658 |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | <u>\$ (3,000)</u> | <u>\$ (464,967)</u> | <u>\$ (467,967)</u> |
| BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS | | | |
| Charges for Services | \$ | 200,682 | \$ 200,682 |
| Sale of Documents, Merchandise and Property | (3,000) | 4,336 | 1,336 |
| Grants, Contracts, Donations and Abandonments | | (669,985) | (669,985) |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | <u>\$ (3,000)</u> | <u>\$ (464,967)</u> | <u>\$ (467,967)</u> |

See the notes to financial statements.

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

| PROGRAM (SUBCLASS) EXPENDITURES & TRANSFERS-OUT | AUDIT & EXAMINATION | FISCAL ANALYSIS & REVIEW | LEGISLATIVE COMMITTEES & ACTIVITIES | LEGISLATIVE SERVICES | LEGISLATIVE SERVICES FEED BILL | LEGISLATURE - HOUSE | LEGISLATURE - SENATE | Total |
|---|------------------------|--------------------------------|---|-------------------------|--------------------------------------|------------------------|-------------------------|----------------------|
| Personal Services | | | | | | | | |
| Salaries | \$ 2,275,271 | \$ 889,419 | \$ 72,731 | \$ 2,168,967 | \$ | \$ 3,253 | \$ 5,647 | \$ 5,415,288 |
| Employee Benefits | 528,693 | 193,819 | 6,070 | 511,364 | 808 | 447,769 | 247,096 | 1,935,619 |
| Total | <u>2,803,964</u> | <u>1,083,238</u> | <u>78,801</u> | <u>2,680,331</u> | <u>808</u> | <u>451,022</u> | <u>252,743</u> | <u>7,350,907</u> |
| Operating Expenses | | | | | | | | |
| Other Services | 140,939 | 15,146 | 11,530 | 1,252,804 | 87,390 | 1,776 | 11,665 | 1,521,220 |
| Supplies & Materials | 16,750 | 9,452 | 1,609 | 943,527 | 86 | 12,134 | 17,303 | 1,000,861 |
| Communications | 26,235 | 9,633 | 8,528 | 87,263 | 10,345 | 401 | 269 | 142,674 |
| Travel | 75,867 | 19,699 | 139,535 | 11,677 | | 7,148 | 4,722 | 258,648 |
| Rent | 722 | 28 | 322 | 112,990 | | 208 | | 114,270 |
| Repair & Maintenance | 358 | 225 | 70,282 | | | | 62 | 70,927 |
| Other Expenses | 36,377 | 230 | 166,809 | 85,046 | | 1,840 | 1,340 | 291,642 |
| Total | <u>297,248</u> | <u>54,413</u> | <u>328,333</u> | <u>2,563,589</u> | <u>97,791</u> | <u>23,507</u> | <u>35,361</u> | <u>3,400,242</u> |
| Equipment & Intangible Assets | | | | | | | | |
| Equipment | | | | | | | | |
| Total | <u>0</u> | <u>0</u> | <u>0</u> | <u>6,890</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>6,890</u> |
| Total Expenditures & Transfers-Out | <u>\$ 3,101,212</u> | <u>\$ 1,137,651</u> | <u>\$ 407,134</u> | <u>\$ 5,250,810</u> | <u>\$ 98,599</u> | <u>\$ 474,529</u> | <u>\$ 288,104</u> | <u>\$ 10,758,039</u> |
| EXPENDITURES & TRANSFERS-OUT BY FUND | | | | | | | | |
| General Fund | | | | | | | | |
| State Special Revenue Fund | \$ 1,855,245 | \$ 1,137,651 | \$ 380,049 | \$ 4,344,655 | \$ 98,599 | \$ 474,529 | \$ 288,104 | \$ 8,578,832 |
| Total Expenditures & Transfers-Out | <u>3,101,212</u> | <u>1,137,651</u> | <u>407,134</u> | <u>5,250,810</u> | <u>98,599</u> | <u>474,529</u> | <u>288,104</u> | <u>10,758,039</u> |
| Less: Prior Year Expenditures & Transfers-Out Adjustments | 2,422 | (3,480) | 415 | (688) | 0 | 693 | (1,949) | (2,587) |
| Actual Budgeted Expenditures & Transfers-Out | <u>3,098,790</u> | <u>1,141,131</u> | <u>406,719</u> | <u>5,251,438</u> | <u>98,599</u> | <u>473,636</u> | <u>290,053</u> | <u>10,760,026</u> |
| Budget Authority | 3,455,385 | 1,223,053 | 802,977 | 7,006,688 | 325,147 | 1,102,164 | 860,171 | 14,775,585 |
| Unspent Budget Authority | <u>356,595</u> | <u>81,922</u> | <u>396,258</u> | <u>1,755,150</u> | <u>226,548</u> | <u>628,328</u> | <u>570,118</u> | <u>\$ 4,014,959</u> |
| UNSPENT BUDGET AUTHORITY BY FUND | | | | | | | | |
| General Fund | | | | | | | | |
| State Special Revenue Fund | \$ 151,486 | \$ 81,922 | \$ 346,056 | \$ 455,992 | \$ 226,548 | \$ 628,328 | \$ 570,118 | \$ 2,460,452 |
| Unspent Budget Authority | <u>205,109</u> | <u>81,922</u> | <u>396,258</u> | <u>1,299,198</u> | <u>226,548</u> | <u>628,328</u> | <u>570,118</u> | <u>1,554,507</u> |
| Total | <u>\$ 356,595</u> | <u>\$ 81,922</u> | <u>\$ 396,258</u> | <u>\$ 1,755,150</u> | <u>\$ 226,548</u> | <u>\$ 628,328</u> | <u>\$ 570,118</u> | <u>\$ 4,014,959</u> |

See the notes to financial statements.

LEGISLATIVE BRANCH
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

| | <u>General Fund</u> | <u>State Special Revenue Fund</u> |
|---|---------------------|---------------------------------------|
| FUND BALANCE: July 1, 2002 | \$ (1,002,933) | \$ 1,187,474 |
| ADDITIONS | | |
| Budgeted Revenues & Transfers-In | 46,658 | 1,196,338 |
| NonBudgeted Revenues & Transfers-In | 7,178 | 81,767 |
| Prior Year Revenues & Transfers-In Adjustments | 3,540 | 813 |
| Direct Entries to Fund Balance | 13,550,339 | (128,786) |
| Total Additions | <u>13,607,715</u> | <u>1,150,132</u> |
| REDUCTIONS | | |
| Budgeted Expenditures & Transfers-Out | 12,635,131 | 2,177,279 |
| Prior Year Expenditures & Transfers-Out Adjustments | (8,892) | (854) |
| Total Reductions | <u>12,626,239</u> | <u>2,176,425</u> |
| FUND BALANCE: June 30, 2003 | <u>\$ (21,457)</u> | <u>\$ 161,181</u> |

See the notes to financial statements.

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

| TOTAL REVENUES & TRANSFERS-IN BY CLASS | General Fund | State Special Revenue Fund | Total |
|--|-----------------|-------------------------------|---------------------|
| Taxes | \$ 1,678 | \$ | \$ 1,678 |
| Charges for Services | | 1,225,553 | 1,225,553 |
| Sale of Documents, Merchandise and Property | 46,658 | 46,090 | 92,748 |
| Miscellaneous | 9,040 | 668 | 9,708 |
| Grants, Contracts, Donations and Abandonments | | 6,607 | 6,607 |
| Total Revenues & Transfers-In | <u>57,376</u> | <u>1,278,918</u> | <u>1,336,294</u> |
| Less: Nonbudgeted Revenues & Transfers-In | 7,178 | 81,767 | 88,945 |
| Prior Year Revenues & Transfers-In Adjustments | <u>3,540</u> | <u>813</u> | <u>4,353</u> |
| Actual Budgeted Revenues & Transfers-In | 46,658 | 1,196,338 | 1,242,996 |
| Estimated Revenues & Transfers-In | 40,000 | 2,095,373 | 2,135,373 |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | <u>\$ 6,658</u> | <u>\$ (899,035)</u> | <u>\$ (892,377)</u> |
| BUDGETED REVENUES & TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS | | | |
| Charges for Services | \$ | \$ (230,920) | \$ (230,920) |
| Sale of Documents, Merchandise and Property | 6,658 | (24,723) | (18,065) |
| Grants, Contracts, Donations and Abandonments | | (643,392) | (643,392) |
| Budgeted Revenues & Transfers-In Over (Under) Estimated | <u>\$ 6,658</u> | <u>\$ (899,035)</u> | <u>\$ (892,377)</u> |

See the notes to financial statements.

LEGISLATIVE BRANCH
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

PROGRAM (SUBCLASS) EXPENDITURES & TRANSFERS-OUT

| | AUDIT & EXAMINATION | FISCAL ANALYSIS & REVIEW | LEGISLATIVE COMMITTEES & ACTIVITIES | LEGISLATIVE SERVICES | LEGISLATIVE SERVICES - FEED BILL | LEGISLATURE - HOUSE | LEGISLATURE - SENATE | Total |
|------------------------------------|------------------------|--------------------------------|---|-------------------------|--|------------------------|-------------------------|---------------|
| Personal Services | | | | | | | | |
| Salaries | \$ 2,442,790 | \$ 945,275 | \$ 25,159 | \$ 2,382,767 | \$ 96,689 | \$ 1,287,531 | \$ 847,274 | \$ 8,027,485 |
| Other Compensation | 580,255 | 215,426 | 2,180 | 557,378 | 18,652 | 1,088,358 | 533,439 | 1,601,797 |
| Employee Benefits | 3,023,045 | 1,160,701 | 27,339 | 2,940,145 | 113,341 | 509,653 | 481,475 | 2,463,019 |
| Total | | | | | | 2,965,542 | 1,862,198 | 12,092,301 |
| Operating Expenses | | | | | | | | |
| Other Services | 98,053 | 42,468 | 19,425 | 1,020,217 | 297,057 | 28,180 | 19,539 | 1,524,948 |
| Supplies & Materials | 15,076 | 4,374 | 101 | 243,198 | 1,538 | 20,189 | 25,574 | 320,059 |
| Communications | 15,721 | 7,715 | 4,383 | 46,751 | 59,145 | 5,945 | 7,690 | 140,364 |
| Travel | 53,988 | 8,435 | 59,814 | 11,442 | 52,149 | 96,582 | 53,956 | 284,177 |
| Rent | 160 | | 100 | 112,656 | | 1,500 | 360 | 14,716 |
| Repair & Maintenance | 376 | | | 72,638 | | 1,140 | 380 | 74,639 |
| Other Expenses | 30,409 | 524 | 140,253 | 70,762 | | 2,250 | 2,056 | 246,233 |
| Total | 213,783 | 63,516 | 224,086 | 1,577,664 | 350,744 | 164,784 | 110,550 | 2,705,137 |
| Equipment & Intangible Assets | | | | | | | | |
| Equipment | | | | | | | | |
| Total | 0 | 0 | 0 | 5,226 | 0 | 0 | 0 | 5,226 |
| Total Expenditures & Transfers-Out | \$ 3,236,828 | \$ 1,224,217 | \$ 251,425 | \$ 4,523,035 | \$ 464,085 | \$ 3,130,326 | \$ 1,972,748 | \$ 14,802,664 |

EXPENDITURES & TRANSFERS-OUT BY FUND

| | | | | | | | | |
|---|--------------|--------------|------------|--------------|------------|--------------|--------------|---------------|
| General Fund | \$ 1,568,631 | \$ 1,224,217 | \$ 237,842 | \$ 4,028,390 | \$ 464,085 | \$ 3,130,326 | \$ 1,972,748 | \$ 12,626,239 |
| State Special Revenue Fund | 1,668,197 | | 13,583 | 494,645 | | | | 2,176,425 |
| Total Expenditures & Transfers-Out | 3,236,828 | 1,224,217 | 251,425 | 4,523,035 | 464,085 | 3,130,326 | 1,972,748 | 14,802,664 |
| Less: Prior Year Expenditures & Transfers-Out Adjustments | (2,174) | (852) | 0 | (6,720) | 0 | 0 | 0 | (9,746) |
| Actual Budgeted Expenditures & Transfers-Out | 3,238,002 | 1,225,069 | 251,425 | 4,526,755 | 464,085 | 3,130,326 | 1,972,748 | 14,812,410 |
| Budget Authority | 3,733,835 | 1,264,845 | 392,844 | 6,652,524 | 905,236 | 4,256,075 | 2,784,596 | 19,989,955 |
| Unspent Budget Authority | 494,833 | 39,776 | 141,419 | 2,122,769 | 441,151 | 1,125,749 | 811,848 | \$ 5,177,545 |
| UNSPENT BUDGET AUTHORITY BY FUND | | | | | | | | |
| General Fund | \$ 492,379 | \$ 39,776 | \$ 104,802 | \$ 887,737 | \$ 441,151 | \$ 1,125,749 | \$ 811,848 | \$ 3,903,442 |
| State Special Revenue Fund | 2,454 | | 36,617 | 1,235,032 | | | | 1,274,103 |
| Unspent Budget Authority | 494,833 | 39,776 | 141,419 | 2,122,769 | 441,151 | 1,125,749 | 811,848 | \$ 5,177,545 |

See the notes to financial statements.

**LEGISLATIVE BRANCH
EXCLUDING THE CONSUMER COUNSEL
NOTES TO FINANCIAL STATEMENTS
June 30, 2002 and 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Legislative Branch uses the modified accrual basis of accounting, as defined by state accounting policy, for its Funds. In applying the modified accrual basis, the Legislative Branch records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Legislative Branch to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures and expenses may include: entire budgeted service contracts even though the Legislative Branch receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Financial Schedule Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the Statewide Accounting, Budgeting and Human Resource System without adjustment.

Accounts are organized in funds according to state law. The Legislative Branch uses the following funds:

Governmental Funds:

General Fund -used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund -used to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes.

2. GENERAL FUND BALANCE

The General Fund is a statewide fund. Each agency does not have a separate General Fund since its only authority is to pay obligations from the statewide General Fund within its appropriation limits. The beginning and ending fund balances reported on the accompanying Schedules of Changes in Fund Balances and Property Held in Trust reflect the Legislative Branch's, excluding the Consumer Counsel, share of the statewide General Fund balance for the years ended June 30, 2002 and 2003.




**Junkermier • Clark
Campanella • Stevens • P.C.**

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Certified Public Accountants and Business Advisors

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the fiscal years ended June 30, 2002 and 2003 and have issued our report thereon dated October 2, 2003. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Legislative Branch's, financial schedules are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Legislative Branch's, internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components, does not reduce to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the Legislature and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana
October 2, 2003

Council Senate Members
BOB KEENAN--Vice Chair
VICKI COCCHIARELLA
BRENT CROMLEY
DUANE GRIMES
JON TESTER
FRED THOMAS



Council House Members
KIM GILLAN--Chair
ROY BROWN
GEORGE GOLIE
JEFF LASZLOFFY
DOUG MOOD
DAVID WANZENRIED

Executive Director
LOIS MENZIES

**Montana Legislative
Services Division
Office of the Executive Director**

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October 20, 2003

Junkermier, Clark, Campanella, Stevens, P.C.
Certified Public Accountants
P.O. Box 1164
Helena MT 59624-1164

RE: Legislative Branch Audit Response

Dear Junkermier, Clark, Campanella, Stevens, P.C.:

We have reviewed the draft audit report for the Legislative Branch (agency 11040). We are pleased that our agency accounting meets all tested standards and that no recommendations for improvement were necessary.

We are also pleased that we have a long history of clean audits. The dedication and cooperation of a number of people have made this possible. In particular, the staff of the Financial Services Office, under the leadership of Karen Berger, has consistently ensured that high standards of accounting are met and maintained.

Thank you for your work.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lois Menzies".

Lois Menzies
Executive Director

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LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

October 2003

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of the Montana Legislative Branch for the two fiscal years ended June 30, 2003.

Junkermier, Clark, Campanella, Stevens, P.C, Certified Public Accountants, conducted the audit under a contract between the firm and our office. The comments contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The Branch's written response to the report is included in the back of the audit report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat
Legislative Auditor

cda.branch trans 03.ltr/bh

Enclosure
(03C-04)



**Junkermier • Clark
Campanella • Stevens • P.C.**

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Certified Public Accountants and Business Advisors

October 2, 2003

To the Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the Legislative Branch, excluding the Consumer Counsel (the Legislative Branch), for the years ended June 30, 2003, and 2002, and have issued our report thereon dated October 2, 2003. Professional standards require that we provide you with the following information related to our audits.

Our Responsibility under Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement renewal letter dated May 15, 2003, our responsibility, as described by professional standards, is to plan and perform our audits to obtain reasonable, but not absolute, assurance that the financial schedules are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audits, we considered the internal control of the Legislative Branch. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed tests of the Legislative Branch's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Legislative Branch are described in Note 1 to the financial schedules.

No new accounting policies were adopted and the application of existing policies was not changed during the fiscal years ended June 30, 2003, and 2002. We noted no transactions entered into by the Legislative Branch during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial schedules prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial schedules and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant estimates affecting the financial schedules.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial schedules that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Legislative Branch's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Legislative Branch's, financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial schedules or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial schedules or a determination of the type of auditor's opinion that may be expressed on those schedules, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Legislative Branch's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Legislature and management of the Legislative Branch, and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier, Clark, Campanella, Stevens, P.C.

Helena, Montana

